



**THE STOCK EXCHANGE OF HONG KONG LIMITED**  
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

4 August 2010

**CENSURE**

**OF**

**Mascotte Holdings Limited**  
**(the “Company”) (Stock Code: 136)**  
**for breaching Rule 13.09 of the Rules Governing the Listing of Securities**  
**on the Main Board of The Stock Exchange of Hong Kong Limited**  
**(the “Listing Rules”)**

**and**

**CENSURE AND/OR CRITICISM**

**OF**

**Ms Chan Oi Ling Maria Olimpia, Mr Au Yeung Kai Chor, Mr Peter Temple Whitelam,**  
**Ms Wong Dickie, Mr Chung Wilson and Mr Lam Suk Ping for breaching their**  
**obligations under the Declaration and Undertaking with regard to Directors given**  
**by them to the Exchange in the form set out in Appendix 5b to the Listing Rules**  
**(the “Undertaking”)**

The Stock Exchange of Hong Kong Limited (the “**Exchange**”) hereby publicly censures:

- (1) the Company for its breaches of Rule 13.09 of the Listing Rules as described in this Press Release;
- (2) Ms Chan Oi Ling Maria Olimpia, a former executive director of the Company, resigned effective 7 April 2008 (“**Ms Chan**”);
- (3) Mr Au Yeung Kai Chor, a former executive director of the Company (“**Mr Au Yeung**”); and
- (4) Mr Peter Temple Whitelam, an executive director of the Company (“**Mr Whitelam**”),  
for their breaches of Undertaking in failing to use their best endeavours to procure the Company’s compliance with Rule 13.09.

The Exchange also hereby publicly criticises:

- (5) Ms Wong Dickie, a former executive director of the Company (“**Ms Wong**”), resigned effective 28 January 2008;
- (6) Mr Chung Wilson, a former executive director of the Company (“**Mr Chung**”), resigned effective 24 July 2008; and
- (7) Mr Lam Suk Ping, an executive director of the Company (“**Mr Lam**”),  
for their respective breaches of Undertaking in failing to use their best endeavours to procure the Company’s compliance with Rule 13.09.

## Facts

The Company and its subsidiary were principally engaged in the manufacture and sale of accessories for photographic, electrical and multimedia products and property investment.

The Company conducted a number of property disposals and fund raising activities from May to August 2007 raising net proceeds of \$287 million between May and August 2007, and by November 2007, a further \$365 million.

In late May/early June 2007, the Company began investing in listed securities. The Company had not made any securities investment before, and had not disclosed its plan to commence securities investment to shareholders or the market. By 31 July 2007, the Company had committed over \$111 million to securities investment. This amount increased to over \$259 million by 30 September 2007.

In early November 2007, (a) the Company calculated that the “rough figure” loss attributable to securities investment during the six months up to 30 September 2007 to be \$46.9 million (“**Interim Investment Loss**”), and (b) Ms Chan, Mr Au Yeung and Ms Wong were aware of this piece of information.

The Company did not disclose the securities investment or the Interim Investment Loss until 28 December 2007, when the Interim Results for the six months ended 30 September 2007 (“**2008 Interim Results**”) were announced. The 2008 Interim Results disclosed that the realised and unrealised loss on financial assets at fair value through profit and loss for the period was \$47 million, and the Company’s loss for the period was \$32 million (cf \$9.6 million profit in the corresponding period in FY 2007). The Company’s annual profit for the preceding four financial years 2004 to 2007 averaged around \$12.25 million.

By 31 March 2008, the financial year end date for 2008, the Company had committed over \$411 million to securities investment.

In early April 2008, (a) the Company calculated that the loss attributable to securities investment during the year up to 31 March 2008 to be \$221.1 million (the “**Annual Investment Loss**”), and (b) Ms Chan, Mr Au Yeung, Mr Chung and Mr Lam were aware of this piece of information.

On 19 June 2008, the Company published a profit warning announcement (“**Profit Warning**”) disclosing such loss and its adverse impact on the Annual Results for the year ended 31 March 2008 (“**2008 Annual Results**”).

The 2008 Annual Results announced on 25 July 2008 disclosed that the realised and unrealised loss on financial assets at fair value through profit and loss for the period was \$221 million. The Company’s loss for the period was \$232 million (cf \$10.3 million profit in the previous financial year).

## **Applicable Listing Rules and breaches**

Rule 13.09 requires issuers to disclose, as soon as reasonably practicable, any information which (a) is necessary to enable shareholders and the public to appraise the position of the group; (b) is necessary to avoid the establishment of a false market in the Company's securities; or (c) which might be reasonably expected materially to affect market activity in and the price of its securities.

Note 11 to Rule 13.09 states that the obligation must be discharged without delay where (a) there is such a change in the Company's financial condition or the performance of its business or the expectation of its performance that knowledge of the change is likely to lead to substantial price movement (Note 11 (ii)), or (b) the Company has committed significant resources to an activity which is non-core business and this has not previously been disclosed (Note 11 (iii)).

### Breach 1

As at 31 July 2007, the Company had committed over \$111 million to securities investment. This amount increased to over \$259 million by 30 September 2007. Such amount must be seen as significant viewed against the Company's historical profit and loss and its financial position at the time. The Company has never conducted this activity before. No disclosure had been made to shareholders and the market of this new activity and of the amount of the Company's resources committed to this activity.

The Exchange has considered the facts and submissions presented to it and is of the view that the Company was required under Rule 13.09 to disclose its securities investment by 31 July 2007 (at which point over \$111 million has been committed to securities investment), and in any event, no later than 30 September 2007 (at which point over \$259 million has been committed to securities investment). The Company did not disclose its securities investment until 28 December 2007 when the 2008 Interim Results were announced and was therefore in breach of Rule 13.09. The delay in disclosure was at least three months (from 30 September 2007 to 28 December 2007). If calculated from 31 July 2007, there would have been an approximately five-month delay in disclosure.

### Breach 2

On 28 December 2007, the Company announced its 2008 Interim Results. The Company's realised and unrealised loss attributable to securities investment was \$47 million, and recorded \$32 million loss during the period. This represented a significant deterioration of the Company's business/financial performance compared to \$9.6 million profit the Company recorded for the corresponding period in the previous financial year.

Since early November 2007, Ms Chan, Mr Au Yeung and Ms Wong had been aware of a roughly \$47 million Interim Investment Loss. The loss was significant, and against the background and information generally known to shareholders at the time, was reasonably expected to have an adverse impact on the Company's performance. This, combined with the fact that the Company's significant investment in listed securities had not been disclosed, made early disclosure of the Interim Investment Loss even more crucial.

The Exchange is of the view that the Company should have disclosed the Interim Investment Loss and its (likely) significant adverse impact on the financial performance of the Company in early November 2007. The Company did not do so at any time prior to the publication of the 2008 Interim Results on 28 December 2007. The Exchange therefore concludes that the Company breached Rule 13.09(1) in failing to disclose this information as soon as practicable. The delay in disclosure was around six weeks from early November 2007 to 28 December 2007.

### Breach 3

On 19 June 2008, the Company published the Profit Warning disclosing estimated losses of financial assets for the year ended 31 March 2008 of \$221 million and management's expectation of a significant deterioration in its 2008 Annual Results.

Ms Chan, Mr Au Yeung, Mr Chung and Mr Lam had been aware of the roughly \$221.1 million Annual Investment Loss since 3 April 2008. Against the background and information generally known to the market in April 2008, such a loss was significant and was reasonably expected to have an enormous adverse impact on the 2008 Annual Results, which it did. As disclosed in the 2008 Annual Results announced on 25 July 2008, the Company's loss for the year ended 31 March 2008 was \$232 million, a significant deterioration from \$10.3 million profit the Company made in FY2007.

On the basis of the facts as they have emerged from the investigation, the Exchange concludes that the Company should have published a profit warning on or soon after 3 April 2008. As the Profit Warning was only published on 19 June 2008, the Company breached Rule 13.09 for failing to publish an announcement in a timely manner. There was an approximately ten-week delay in disclosure of this information.

### The Directors

Each of Ms Chan, Mr Au Yeung, Mr Whitlam, Ms Wong, Mr Chung and Mr Lam (collectively referred to as "**Relevant Directors**") has undertaken to the Exchange to use his/her best endeavours to procure the Company's compliance with the Listing Rules. The Exchange considers that, as executive directors of the Company at the material time:

- Ms Chan, Mr Au Yeung and Ms Wong, having knowledge of the Company's securities investment, failed to prevent Breach 1 by the Company.
- Ms Chan, Mr Au Yeung and Ms Wong, having knowledge of the approximate Interim Investment Loss in or around early November 2007, failed to prevent Breach 2 by the Company.
- Ms Chan, Mr Au Yeung, Mr Chung and Mr Lam, having knowledge of the approximate Annual Investment Loss in early April 2008, failed to prevent Breach 3 by the Company.

- Although Mr Whitelam submitted that he had no knowledge as the other executive directors referred to above, he should have but failed to make necessary enquiries with the Board to monitor the Company's securities investment and its possible Rule 13.09 implication (see below), and thus Mr Whitelam has failed to prevent Breaches 2 and 3 by the Company.

The Exchange therefore takes the view that each of the executive directors identified above was in breach of his/her Undertaking to the Exchange. Whilst breaches of the executive directors justify the imposition of a public sanction on each of them, the Exchange is of the view that the level of sanction ought to be commensurate with the breach. In this regard, the Exchange is of the view that the breach of Undertaking by Ms Chan, Mr Au Yeung and Mr Whitelam may be considered more serious and deserves a more severe sanction for the following reasons.

#### Ms Chan

She was the Chairperson and founder of the Group, being a long serving executive director in office from 11 August 1997 until 7 April 2008, after which she was appointed as honorary non-executive chairman of the Company. She participated in the Board discussions causing the Company to engage in securities investment, and had personal knowledge of the Company's securities investment. She was closely involved in and has failed to prevent all three breaches committed by the Company.

#### Mr Au Yeung

He was appointed as executive director on 6 June 2007 and resigned with effect from 9 April 2010. Immediately after his appointment, on 7 June 2007, the Company resolved and authorised him to take charge of the Company's securities trading. He was directly responsible for making the investment decisions and executed the necessary transactions on behalf of the Company. He therefore also had personal knowledge of and was closely involved in the Company's securities investment, and failed to prevent all three breaches committed by the Company.

#### Mr Whitelam

He was appointed as executive director on 1 August 2007. Although he was not in office at the time of Breach 1, given his position, Mr Whitelam was or should have been aware of the Company's fund raising activities between August and November 2007. Nevertheless, he failed to make enquiries of and request information from executive management as to the application of the funds received by the Company from the fund raising exercises, its securities investment and performance. Even after publication of the Company's 2008 Interim Results (which disclosed the significant Interim Investment Loss) in December 2007, Mr Whitelam failed to make necessary enquiries, discuss with Board members, monitor the Company's securities investment and its performance and their possible Rule 13.09 implications. His breach of Undertaking in failing to prevent Breaches 2 and 3 was serious.

For the reasons given below, the conduct of Ms Wong, Mr Chung and Mr Lam are considered less serious and thus within the range of sanctions available, a public criticism of their conduct is appropriate.

### Ms Wong

She was an executive director of the Company from 6 June 2007 until 28 January 2008. Although she was in office at the time of Breaches 1 and 2, she was only a director of the Company for about eight months. During her directorship, she concentrated on the Company's manufacturing operations. She did not attend the board meeting in which the Company resolved to commence securities investment, and rarely attended management meetings in which updates on the securities investments were reported, although she was provided with updates from time to time. She was not directly involved with the commission of the conduct giving rise to this action.

### Mr Chung and Mr Lam

Mr Chung was an executive director of the Company from 28 January to 24 July 2008. Mr Lam was appointed as executive director of the Company on 7 April 2008. Both were therefore in office at the time of Breach 3. Although they were executive directors, the short period over which they were in office at the time of Breach 3 reduces the level of their responsibility when viewed against the overall circumstances and the conduct of those directors who were in office for longer periods over which the series of breaches took place.

### **Settlement**

As a consequence of a settlement,

1. the Company does not contest the Listing Division's assertion of its breaches of Rule 13.09(1) identified as Breaches 1, 2 and 3 above;
2. Each of the Relevant Directors does not contest the Listing Division's assertion of his/her breach of Undertaking in failing to use his/her best endeavours to procure the Company's compliance with the Listing Rules giving rise to Breaches 1, 2 and 3 (as applicable); and
3. the Company and the Relevant Directors accept the sanctions and directions imposed upon them by the Listing Committee which are referred to below.

### **Sanction**

The Listing Committee:

1. censures the Company for the three breaches of Rule 13.09(1) described herein;
2. censures Ms Chan, Mr Au Yeung and Mr Whitlam for their respective breaches of Undertaking for failing to use his/her best endeavours to procure the Company's compliance with the Listing Rules; and
3. criticises Ms Wong, Mr Chung and Mr Lam for the respective breaches of Undertaking for failing to use his/her best endeavours to procure the Company's compliance with the Listing Rules.

Further, the Listing Committee directs as follows:

- (1) that the Company:
  - (a) retain an independent professional adviser satisfactory to the Committee and/or the Listing Division (the “**Adviser**”) to conduct a thorough review of and make recommendations to improve the Company’s internal controls including its investment policy and procedures and compliance systems to ensure compliance with (i) the general disclosure obligations under Rule 13.09 and (ii) Appendix 14 of the Listing Rules within two weeks from the date of publication of this Press Release; and provide the Listing Division with the written report of the Adviser containing such recommendations within two months from the publication of the Press Release. The Company is to submit the proposed scope of retainer to the Listing Division for comment before appointment of the Adviser;
  - (b) furnish the Listing Division with the Adviser’s written report on the Company’s full implementation of the Advisers’ recommendations within a further period of two months; and
  - (c) appoint an independent professional adviser satisfactory to the Listing Division on an ongoing basis for consultation on compliance with the Listing Rules (the “**Compliance Adviser**”) for a period for two years within two weeks from the publication of the Press Release. The Company is to submit the proposed scope of retainer to the Listing Division for comment before appointment of the Compliance Adviser. The Compliance Adviser shall be accountable to the Audit Committee of the Company. The Company shall procure the Compliance Adviser to provide to the Exchange an undertaking in the form in Appendix 20 of the Listing Rules as part of the Compliance Adviser’s terms of engagement with the Company.
- (2) Each of Mr Whitelam and Mr Lam who remain current directors of the Company to undergo training on compliance and corporate governance matters for 24 hours. The training to be provided by a recognised professional organisation satisfactory to the Listing Division is to be completed within six months from the publication of the Press Release. The Company is to provide the Listing Division with the training provider’s written certification of full compliance with this training requirement by these directors within two weeks after their full compliance with the training requirement.
- (3) Before any of Mr Au Yeung, Ms Chan, Ms Wong and Mr Chung who are no longer directors of the Company is next appointed as a director of any company listed on the Exchange, he/she must undergo training on compliance and corporate governance matters for 24 hours to be provided by a recognised professional organisation satisfactory to the Listing Division. Such former directors must in respect of and prior to that next appointment only (a) have fully complied with the training requirement before the effective date of that proposed next appointment; and (b) provide the Listing Division with evidence satisfactory to the Listing Division, of full compliance with the training requirement upon the Listing Division’s request.

- (4) The Company is to publish an announcement to confirm that each of the directions in sub-paragraphs (1) to (2) above has been fully complied with within one week after the respective fulfillment of each of those directions. The last announcement required to be published under this requirement is to include the confirmation that all directions in sub-paragraphs (1) to (2) above have been complied with.
- (5) The Company is to submit drafts of the announcements referred to in sub-paragraph (4) above for the Listing Division's comment and may only publish the announcements after the Listing Division has confirmed it has no further comment on them.